

final

Company Name: Medis Technologies  
 Company Ticker: MDTL US  
 Date: 2007-05-09  
 Event Description: Q1 2007 Earnings Call

Market Cap: 520.40  
 Current PX: 14.89  
 YTD Change(\$): -2.50  
 YTD Change(%): -14.376

Bloomberg Estimates - EPS  
 Current Quarter: -0.140  
 Current Year: -1.150  
 Bloomberg Estimates - Sales  
 Current Quarter: 0.100  
 Current Year: 49.025

that all going to be...

<A - Robert Lifton>: What the press release talked about the fact that it was our first shipment of a product.

<Q - Jesse Herrick>: Right. Yes, exactly. But is that going to be spread over several quarters, or is that just...

<A - Robert Lifton>: I don't want to go into any further details on that whole discussion.

<Q - Jesse Herrick>: Okay. Just trying to get a little bit of an idea of what kind of revenues we could potentially be seeing.

<A - Robert Lifton>: Well, we will be showing booking revenues from anything that we sell as we sell it, and then when you – you'll be able to look at the report.

<Q - Jesse Herrick>: All right. Fair enough.

<A - Robert Lifton>: Thank you.

## Operator

Our next question comes from the line of Robert Linder, shareholder.

<Q>: Hi. Good morning, Robert.

<A - Robert Lifton>: Bob, how you doing?

<Q>: Good. I know you realize that 70% of the float or more is short our stock, and when you put on announcements – I came on late, so you may have answered this already. I know when you put out announcements, as you know, they're magnified and scrutinized by those that wish our stock to fall. When you put out an announcement like Microsoft, I mean that was really a good announcement. I mean, here we are dealing with one of the, well the biggest companies – one of the biggest companies in the world. I don't know how you want to talk about it or what you've said about, and I'm sure there's a lot of things you can't say about it. But I mean, was there anything bad in that announcement that you saw?

<A - Robert Lifton>: I'm very frank to say that both in terms of that announcement, which I thought was a very important announcement from our point of view as a company because it was the first shipment of a product for sale that we have made. In fact, I have to share with you – with all of you on the phone that it was so exciting for us that Michelle Rush actually took pictures of the assembly and shipping of that product so we would have it for a historical moment in our lives. I thought that was – frankly, I thought that was a very important statement about the status of our product that we now had a product that was going into the world of people seeing it and experiencing it, and people putting their brand on it, and people paying for it, and us shipping it. So, I thought that was an important announcement.

I also thought that – frankly, that the announcement that we had a product on mytreo.net, the first time anyone in history has had a fuel cell product for offer to the consumer market in broad base. I thought that too was a significant announcement, and one, which I thought, was another important stepping stone in our company's history and in the movement where we are going and the directions we are going. So, to answer your question, I thought both of those were very significant and affirmative announcements from our company's point of view.

<Q>: Okay, thanks. So, did I. Thank you.

## Operator

Our next question comes from the line of Otis Bradley with Gilford Securities.

<A - Robert Lifton>: Hi, Otis.

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<Q - Otis Bradley>: Morning, Bob. What is the \$6.6 million restricted cash item on the balance sheet?

<A - Robert Lifton>: The \$6.6 million restricted...

<A>: That's security for an LC. But it's in current – it's a current item since – I think it's got about ten months till that's freed-up. Is that correct, Michael?

<A - Michael Resnick>: That is pretty much correct.

<A - Robert Lifton>: In other words, in some cases, we have ordered product from companies and put up an LC as security for the delivery – for our payment of that product, and as they deliver the product the LC is released. And we expect that that LC will be released in somewhere around 10.5 months.

<Q - Otis Bradley>: Does that have to do with these [inaudible] payment?

<A - Robert Lifton>: No. These are other things that go into the product.

<Q - Otis Bradley>: Okay. Thank you.

<A - Robert Lifton>: You're welcome.

## Operator

Our next question comes from the line of Andrew Bose with High Valley Capital.

<Q - Andrew Bose>: Hi, how are you doing? I'm just trying to understand the IP that you've put into the manufacturing lines. How long have you been working on this? There seems to be some real value there. How long have you been working on the...

<A - Robert Lifton>: We started – I think it was in the year 2000 when we first acquired the then very nascent IP that was developed by Gennadi Finkelshtain who of course, as you know, is our CTO and the leader of our whole program of development of this product. In that year, amazingly when you stop to think of it – in that year we spent I think something like \$200,000 towards the development of that IP, and then realized that what we had was something extremely important and unique, and started obviously to support it more and more fully as time went on to the point where now we sit with the only fuel cell product that has been put in the consumer market after, as I've pointed out, major companies have spent hundreds of millions of dollars trying to do the same thing.

And let me take a second here, if you don't mind, to explain what this IP is about because I think people don't understand it. The traditional way of making fuel cells for small, portable devices was based on using methanol as the fuel and a proton exchange membrane to separate out the two electrodes. That's the way that was developed at Los Alamos Laboratories and that's the way that most of the world has been trying to develop so far without having a consumer product on the market. It's led – it's had its own problems of cost, of heat, of size, weight, etcetera, etcetera.

Another way that people have tried to develop a fuel cell has been to take sodium borohydride and break it up into hydrogen and then use the hydrogen in the fuel cell, and some companies have tried that and so far nobody who has tried that approach has developed a product that has come onto the marketplace. The way that most of the world thought could not be done, the way that people felt was a direction that was unsuccessful to pursue was to directly oxidize the fuel on the anode and that is the way that Gennadi Finkelshtain invented the fuel cell that we use; and because nobody in the world went in that direction. We had the opportunity to file patents and cover every single aspect of that approach because we were unique in taking that approach. And that approach has led us to have a product, which as you point out, has an enormously important IP value, both in terms of the Power Pack and also as a platform technology for development of all the other products.

When I talk about the value of this company, I look at this company as a company that not only has this Power Pack, which I think has very significant earning power and earning capacity and you build it to fill needs, but also the other

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technologies that come out of this platform, the other – the products and the other developments that come out of this platform technology that we uniquely have developed and uniquely have because we're the only people who went in that direction and have covered this with patents and trade secrets in every way. I'm sorry for the elaborate answer, but it gives me an opportunity to talk to some 100 of you at one time and tell you what's happening.

**<Q - Andrew Bose>**: Yes, clearly you're very proud of your IP in this and it's taken 7 plus years, so you must have a really good understanding of what it takes to get this thing on line and give confidence that this year something will happen, but then how could it be that you can't give out numbers as far as dollars of inventory needed for Pack, dollars of working capital for accounts receivable, I mean clearly the margins are critical and you're quoting margins and volumes...

**<A - Robert Lifton>**: Because we're waiting to get the orders in and then as we get the orders in and then fill in those orders with the – what we produce on our line, then we'll have a much better picture of what the needs are for inventory and what the needs are for working capital. Until you have orders – I imagine even you know this, until you have orders, you don't have the knowledge of what your working capital and your inventory is.

**<Q - Andrew Bose>**: But you've published about – I don't know how many press releases about orders. I mean that's...

**<A - Robert Lifton>**: Yes, those are the orders we talked about that we're looking to get. I've made it clear time and again that those are orders that we're seeking to get from our potential customers, and obviously as soon as we have that information we can then translate that into what the requirements are for working capital and for inventory.

**<Q - Andrew Bose>**: But the press releases aren't potential customers, they list customer names with quantities and say they're non-cancelable, so you have all the information needed to understand what the margins are. Unless those orders aren't...

**<A - Robert Lifton>**: Are you talking about the orders from our distributors?

**<Q - Andrew Bose>**: Yes, those are...

**<A - Robert Lifton>**: Oh, well sure, those are firm orders, but those are nowhere near the orders that we're talking about getting from – that we expect to get for this line. But that's why – the difference between those orders and what we're hoping to get is enormous difference.

**<Q - Andrew Bose>**: How much volume's in the fuel cell pack, how much volume of liquids?

**<A - Robert Lifton>**: Less than the amount required on an airplane.

**<Q - Andrew Bose>**: Okay. Well, anyway, we'd surely appreciate some more details on the cost of goods [inaudible] the margins.

**<A - Robert Lifton>**: We will be – as soon as we have it, we will be happy to share it with you.

**<Q - Andrew Bose>**: Thank you.

**<A - Robert Lifton>**: Thank you.

## Operator

Our next question comes from the line of Brian [inaudible] with First New York Securities.

**<A - Robert Lifton>**: Hi, Brian.

**<Q>**: Good afternoon. I've somewhat of a question about the factory in Ireland. I was wondering if you could get into a little more detail about what's happening in June and who's going to be there, who's expressed interest in being there. And then, secondarily, as that ramps up, is it a chicken or an egg situation regarding orders and production? I'm inferring from the past comments that the production will start immediately and then the product will await the orders,

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but...

**<A - Robert Lifton>**: Right. Yes, that's a good question, Brian. First of all, on June 28th, we have invited a number of customers, a number of large shareholders, a number of friends, a number of people who are just friends of the family, to Ireland – to Galway, Ireland, and to see that line in place in Celestica's facilities. It will be an opportunity for all of us – and that includes me, by the way, and my wife – for all of us to see the line in its place. I've seen pictures of the line, I've seen pictures of the place in Galway where it's going to be. It's a beautiful facility and it will be an opportunity to see the line in place and operating. And that will be the first time that that line will have been put all together in one place in the place that it's going to be living and in operation. So, that's the first point. Now, we have – at this point in time, as we start to ramp up that line, we have orders that will use up the capability of that line in its first few months. And so, to answer your question, and this is part of the answer to the prior question, as more orders come in, we'll have a much better picture of how much more we have through inventory and how much more we have – we'll have in the way of working capital requirements.

**<Q>**: Excellent. So, is it fair to say – it seems like you guys have proven you have a working product now, you've proven that it can be retailed now with the announcement yesterday. It seems to me this is just like a huge development in June because now you'll – by June, we're going to have a date where you guys are going to prove for a fact that you can mass produce it. But the only thing left is the orders, and you have a complete business cycle here with this fuel cell product. It seems like June is just huge for the company.

**<A - Robert Lifton>**: Well, I think it is. I think that's why we want the people to actually see it. Brian, we've gone through a process in our lives and so many of you have gone through it with us in which at every stage of the way people have been naysayers. When we first developed the fuel cell, people said, it couldn't be done, nobody in the world could do it, and then we did it. Then they said it's too big. Those of you may remember when we had the initial fuel cell, then they said oh well, okay, it's not the – but there's no orientation. But now that some of you have seen us throw it up, back down, and in the air, and of course it meets all of the military spec requirements, so we've rendered the orientation. Then, they said we're that we're going to run out of capital and then of course we did all of the financing of last year. Then they said, you can't make it, and you're point is well made and now we're going to show them that the line is fully up and running and capable of making the product. And I don't know what they'll say next, but I am sure they will think of something. But each time they think of something, we will prove that we have an answer to it, and step by step, as I said, we are creating what I consider to be huge values in this company, which we will realize one way or the other.

**<Q>**: Thank you.

## Operator

The next question is a follow up question from Gary Giblen with Goldsmith & Harris.

**<Q - Gary Giblen>**: Yes, hi. I was just wondering what kind of product features beyond packaging are customers seeking differentiation on, and are these minor or major undertakings for Medis to provide?

**<A - Robert Lifton>**: I always love talking to you, Gary, because you always go right to the heart of the issue.

**<Q - Gary Giblen>**: Thank you.

**<A - Robert Lifton>**: Some of the – and you're referring of course to my statement in the press release that one of the things that we've been holding up is with customers who want differentiation of product. There are customers that we're – potential customers, I want to make it very clear what we're saying, there are potential customers that we're dealing with who are interested in putting this product out with their brand on it as their product, not as a Medis product, but as their product. And what they're talking to us about is some way of differentiating its appearance from a Medis product, but of course we don't want to do that at any significant additional expensive tooling. So, we are working with them to try to figure out a way if we can satisfy their desire to make this a different product. Let me give you an example. If the cover of the product was a different shape, for example, that would be a differentiation. Perhaps the different colors

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would be a differentiation. So – but in this particular case, what they are looking for is something that distinguishes their product from the Medis product.

**<Q - Gary Giblen>**: Okay. I mean, those things being small engineering.

**<A - Robert Lifton>**: Well, depending on how much you have to differentiate.

**<Q - Gary Giblen>**: So, it's more exterior...

**<A - Robert Lifton>**: If it's only colors, then it's very simple.

**<Q - Gary Giblen>**: But I mean, is it a look-and-feel thing?

**<A - Robert Lifton>**: It's not. Let me makes this clear, Gary, and I'm glad you asked the question. It has nothing to do with the technology. It has to do with the appearance of the product.

**<Q - Gary Giblen>**: Okay. Well, that's good. Okay, and then I was just wondering, could you give us color on how the Treo order of yesterday was – how did that come into the fold? Was it from a trade show? Was it from the sale of going on the road? In other words, what was the history of the Treo.net order?

**<A - Robert Lifton>**: I think that at one of the trade shows I think the Treo people met with both Michelle and Andrew Hughes and expressed a great interest in the product, and slowly as with the product – as we were able to show them the product and then they tested the product and then they were very pleased with the test and then of course gave us the order that started this whole process and their desire to put it on their website.

**<Q - Gary Giblen>**: So, they sort of approached you...

**<A - Robert Lifton>**: One of the things that has happened at these trade shows, which we have been very grateful for is that again and again we have met people at these shows who have eventuated in serious discussions with us about being significant customer relationships. So, it shows that they go for us because I think that we have been showing a unique product that people know they need and it has given us an opportunity to present there.

**<Q - Gary Giblen>**: Okay. That is helpful. Thank you.

## Operator

Our next question is follow-up question from Mark Miller, an independent investor.

**<Q>**: Hi, again. I will just throw some quick ones I hope. Your D&O insurance, is that sufficient to handle the class action suit? Who will take the lead in your defense, your own law firm or your insurers?

**<A - Robert Lifton>**: Let me say the following. I don't want to discuss any details of the so-called lawsuit. First of all, we have not been served yet. We did make an announcement saying that we felt that the suit as described on the Internet site was not – had no merit, and we certainly feel comfortable in our financial position, which you are asking about vis-à-vis our insurance and the amount of the insurance that we have, but I don't want to go into any further details about the lawsuit.

**<Q>**: I can understand that. Okay, two, I've a follow-up on Cell Kinetics. Would you talk a little bit about – you have mentioned earlier that you want to market the grid. Dr. Ben-Arye said that – it is my understanding he believes that there is value in marketing the grid as a machine, could you elaborate on that a little bit for us please?

**<A - Robert Lifton>**: Yes, the – when we started the CellScan, it was started around a basic concept and that was the expectation, opportunity to use it to detect – for early detection of breast cancer. That was really the focus of the CellScan. That is frankly why we got involved in it in the first place, both from a business point of view and an emotional point of view, and we tried mightily to do that with some amount of success, but not the success that we felt was necessary to be able to bring it to the market. From that point on, we also worked on issues of prostate cancer and other illnesses using the CellScan and the grids to look at the particular lymphocyte cells that we were looking at.

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When Dr. Ben-Arye came onboard, he brought with him a different point of view, which is that if we could develop the grid so that it could be used on other instruments that are already in existence in laboratories throughout the world, they would not have to make the capital investments in the CellScan itself in order to take advantage of the grid. So, in affect, what we are talking about was eliminating the razor and just selling the razor blades to guys who had a whole lot of razors. And that is the approach that has been taken now in Cell Kinetics under his [inaudible] and the development of a grid that allows the opportunity to look at a cell over a considerable period of time, longer as I understand it than any other way that you could look at a cell, and particularly to look at rare cells, for example, those stem sells that are seen as the sells that cause cancer. There is a point of view in the world that you can kill all of the cancer cells you want, but if there are those stem cells still there that are capable of creating the cancer and if you can't identify them and kill them, then the cancer is going to recur. And so, one of the important elements in these CellScan grid is the ability to single out rare cells or difficult cells to find and be able to manipulate those cells and address those cells in some way. And so, the focus now of cell kinetics is on the grid rather than the CellScan.

<Q>: So, is this grid – is this something that would be a continual sale into, say, a hospital, in an oncology department?

<A - Robert Lifton>: Or in research laboratories all over the world or drug companies that are looking to develop drugs, because one of the things – once you can find the rare cell, then you can find a way to try to attack the rare cell.

<Q>: Is this just a research tool, or, s this a diagnostic tool that will go through hospitals?

<A - Robert Lifton>: It has the opportunity to provide information of all different levels to all different kinds of people depending on – all of it relating to the ability to look at individual cells over a period of time.

<Q>: Okay. And would it generate recurring revenue from customers? In other words...

<A - Robert Lifton>: That is the objective.

<Q>: So, consumables that you would be marketing?.

<A - Robert Lifton>: The consumable, that is correct. That is a very well – that is very well put. It is the consumable that would allow us to sell it repeatedly to those people who are interested in buying it for the various uses that I outlined.

<Q>: Okay. Changing track one more time, I will throw this out there. If you don't want to get into it that is fine, but digging into history, why did you not bring the refuelable to market? I understand you had a prototype ready to go, what happened, and why didn't that come to the market? And – could you address that?

<A - Robert Lifton>: Yes, and this goes I think to the question of people have said that it has taken longer than we had hoped to be able to get a product to the market. The first product we developed, as you pointed out, was a product with a cartridge. When we went to the potential customers that we were talking about, retail stores, convenient stores, other stores, and told them that we had a product with a cartridge, their basic attitude was a chicken-and-egg attitude, which is, fine, we won't sell your basic product, your fuel cell, unless cartridges are available throughout the world, but we are not going to carry the cartridges in our inventory until you have fuel cells throughout the world. And so, that was a real disappointment to us frankly. And we came back home and started to say, well, what is the solution, and the solution was to create a fuel cell product with the cartridges inside it, so you don't have to carry another SKU and you don't have to get – you are not dependent on people carrying the cartridge, so that your customer could get it anywhere in the world. And the key to that – the very key to that, which I think is an enormous achievement and people don't – some don't fully recognize it, and I would say this when we talked about our IP before, was to bring in a price that was low enough, so that it could be disposable and still give you enough hours of use to make it worthwhile.

<Q>: Okay. Well, then you talked about this being a green product and you've mentioned a recycling program on the mytreo web and your response to them. You quoted, batteries have lead in them, but could you talk about just how you're going to recycle these? I mean...

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